

**STRATEGIC ISSUES FOR BREAKOUT DISCUSSION**  
**Day 1 Planning Forum - April 22, 1996**

**Process**

Break into two groups for further discussion on MasterCard's future business. Each group will discuss the same questions. Time allocation is 4:00-6:00pm. Assign a person in each group to report back highlights of the discussion. The Group Debrief in one large session will be on Tuesday morning 8:00-10:30am.

**Group A: The Pavilion**

Gene Lockhart  
Bob Selander  
Louis-Noël Joly  
Jean Rozwadowski  
Alan Heuer  
Bob Yellowlees  
Henry Mundt  
Joe Tripodi  
Paul Bateman

**Group B: The Ambassador**

Bill Jacobs  
Jim Cassin  
Richard Child  
Phil Verdi  
Charlotte Rush  
Bob McMillan  
Gayle Rigione  
Jerry McElhatton  
Bella Stavchansky

**Facilitator:** Mary Johnsson

Carl Erickson

GOVERNMENT  
DEPOSITION  
EXHIBIT  
1001

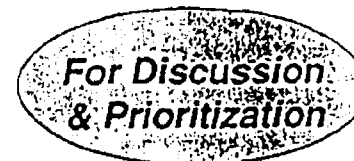
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MCI-0348027

# MASTERCARD'S CURRENT STRATEGIC ISSUES

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## MARKETS AND MEMBERS

1. How Can We Differentiate in Geographic Markets?
  - Protection/Creation of Critical Mass in Key Markets
  - Migration to Emerging Markets
2. How Do We Manage the Growing Concentration and Globalization in our Membership Base?

## PRODUCTS & SERVICES

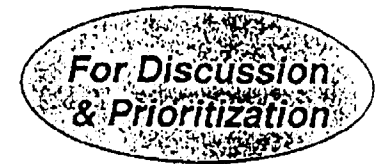
3. How Best to Defend Core Products in the U.S.?
4. What is the Strategic Role of Deposit Access?
5. How do We Best Expand Acceptance to Fuel Growth?

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# MASTERCARD'S CURRENT STRATEGIC ISSUES

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## PROFITABILITY AND FUNDING

6. How Do We Manage the Changing Basis of our Revenues?
7. How Do We Afford "Big Ticket" Emerging Technology Investments?
8. How Do We Address Availability of Capital?

## ORGANIZATIONAL PROCESS

9. How Do We More Effectively Develop "Best in Class" Management Processes?
10. How Do We Manage the Pace of Change and the Mobilization of Resources?

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MCI-0348029



# ISSUE #1: MARKET DIFFERENTIATION

## Issues

- What Are MasterCard's Key Markets?
- How Do We More Effectively Manage our Global Market Portfolio (Mature and Emerging Markets)?
- How Do We Strategically Invest in Current and New Markets?
- How Do We Migrate to Emerging Markets Over Time?
- What Are Differentiated Market Leadership or Entry Strategies:
  - Are These Competitive Positions Sustainable?



## Implications

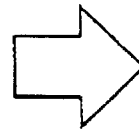
- Need to Focus or Tier our Markets
- Significant Up Front Costs in Emerging Markets
- Likelihood of Assessments vs. Local Volume



## ISSUE #2: MEMBER DIFFERENTIATION

### Issues

- Should All Members Be Viewed Equally?
- Given the Concentration in our Business, Do Large Members Need Different Services/Levels of Service?
- What Differentiated Account Management Structures Should We Institute, If Any?
- Do Multi-Region Members Require Special Consideration?



### Implications

- Drive Towards Non-Duality and Brand Preference
- Role of Mix in Determining Value:  
(Credit & Debit, Issuing & Acquiring, Product & Service)
- Different Models for Relationship Management
- Service Delivery Based on Need



## ISSUES #3-4: PRODUCT/SERVICE DIFFERENTIATION AND FOCUS

Pages 7-8  
Key Stats II

### Issues

- "Cash Cow" Engine under Threat
- More to Do in Usage, Activation, Retention and Servicing in Credit
- Lack of Debit Profitability
- Integration and Positioning of Deposit Access Services:
  - Debit Processing Critical Mass
  - Bill Presentment
  - Remittance Processing



### Implications

- Drive the Expansion to Substitute for Cash & Checks
- Tradeoff in Spending Each Incremental Dollar
  - Credit vs. Debit
- MasterCard's Positioning as a Full-Service Payments Provider



## ISSUE #5: ACCEPTANCE FOCUS AND GROWTH

### Issues

- What is the Strategy to Fuel Incremental Growth?
  - Deepen Penetration of Existing Categories
  - Expand Geographic Acceptance
  - Expand into New Categories/ Channels



### Implications

Optimal Tradeoff Between  
Upfront Costs vs. Assessable Volume

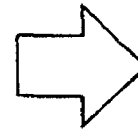


## ISSUES #6-8: AFFORDABILITY VS. PROFITABILITY

Pages 9-15  
Key Stats II

### Issues

- How Do We Deal with the Inevitable Change in our Revenue Basis?
- How Do We Access Additional Sources of Capital?
- How Do We Fund Profitable Growth?
- How Do We Generate New Sources of Revenue?



### Implications

- Ratio of Assessment vs. Fees
- New Revenue Sources
- Strategic Pricing
- Ability to Levy Fees if Cut out of Local Processing

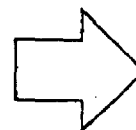


# ISSUES #9-10: CONTINUING TO INVEST IN INFRASTRUCTURE AND PROCESS EFFICIENCY

Page x  
Key Stats II

## Issues

- How Much Can We Afford to Invest in Rebuilding Infrastructure vs. Other Priorities?
- How Do We Effectively Manage the Pace of Change?
- How Do We Accelerate our Rate of Managing as a Global Company?



## Implications

- Operating Expenses Growth
- Commitment to Zero-Base
- Pace of Corporate Governance Implementation

